

## Message Text

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ORIGIN EUR-25

INFO OCT-01 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 AF-10 ARA-16

EA-11 NEA-10 IO-13 /229 R

66643

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APPROVED BY: EB - MR. ARMSTRONG

EUR/RPE - MR. KATZ

EUR - MR. ARMITAGE

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R 111722Z AUG 73

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

INFO USMISSION GENEVA

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

USMISSION OECD PARIS

USMISSION NATO

C O N F I D E N T I A L STATE 159461

E.O. 11652: GDS

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TAGS: EEC, US, EGEN, EAID

SUBJECT: EC COMMISSIONER CHEYSSON'S VISIT TO WASHINGTON,  
AUGUST 8-10

1. SUMMARY. CLAUDE CHEYSSON, EC COMMISSIONER RESPONSIBLE FOR COMMUNITY RELATIONS WITH DEVELOPING COUNTRIES, VISITED WASHINGTON AUGUST 8-10 FOR MEETINGS WITH US OFFICIALS ON US AND EC POLICIES TOWARDS LDC'S. THIS TELEGRAM REPORTS HIGHLIGHTS OF HIS VISIT. END SUMMARY.

2. CLAUDE CHEYSSON, EC COMMISSIONER RESPONSIBLE FOR COMMUNITY RELATIONS WITH DEVELOPING COUNTRIES, VISITED WASHINGTON AUGUST 8-10 FOR TWO DAYS OF INTENSIVE DISCUSSIONS REGARDING US AND EC POLICIES TOWARD LDC'S. IN INTER-AGENCY MEETING LED ON US SIDE BY UNDERSECRETARY CASEY, WE WENT OVER WITH CHEYSSON CONTRASTS BETWEEN US AND EC POLICIES AND DIRECTION IN WHICH WE ARE RESPECTIVELY EVOLVING. WE ALSO COVERED RELATIONS WITH AFRICAN COUNTRIES AND MAJOR FUNCTIONAL MATTERS SUCH AS COMMODITY PROBLEMS, AND TRADE POLICY. THIS EXCHANGE WAS SUPPLEMENTED BY CHEYSSON INDIVIDUAL DISCUSSIONS WITH OFFICIALS FROM TREASURY, STR, CIEP, AID, AND AGRICULTURE. CHEYSSON ALSO SAW MCNAMARA OF WORLD BANK AND WAS GUEST OF HONOR AT DINNER AND DISCUSSION WITH OVERSEAS DEVELOPMENT COUNCIL. IN WRAP-UP LUNCHEON GIVEN BY CASEY, WE DISCUSSED NEED FOR COORDINATION ALL ASPECTS RELATIONS WITH DEVELOPING COUNTRIES INTO COMPREHENSIVE

DEVELOPMENT POLICY. THIS MESSAGE REPORTS HIGHLIGHTS OF THESE DISCUSSIONS. IT HAS NOT BEEN CLEARED IN THE PARTICIPATING AGENCIES AND MAY BE SUPPLEMENTED SUBSEQUENTLY.

3. REGARDING EC RELATIONSHIPS WITH ASSOCIATED AND ASSOCIABLE COUNTRIES, CHEYSSON STRESSED THAT THEY ARE NATURAL HISTORIC OUTGROWTH OF COLONIAL PERIOD. RATHER THAN DENYING GLOBAL RESPONSIBILITIES, EC SEES AFRICAN EMPHASIS AS MOST EFFECTIVE WAY IN NEAR FUTURE OF MEETING ITS LEGITIMATE RESPONSIBILITIES, GIVEN LIMITED RESOURCES AVAILABLE. HE STRESSED BENEFITS TO US AND OTHERS OF STABILITY IN AFRICA THAT FLOWS FROM EC CONCENTRATION OF EFFORTS IN THAT AREA. SPECIFICALLY, CHEYSSON RULED OUT EC ASKING FOR INCLUSION OF REVERSE PREFERENCES IN ANY NEW CONFIDENTIAL

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RELATIONSHIP WITH ASSOCIATED AND ASSOCIABLE COUNTRIES. HOWEVER, HE RECITED STANDARD CLICHE TO EFFECT THAT EC WANTED ANY AGREEMENT TO QUALIFY UNDER GATT ARTICLE XXIV AND THEY STILL NOT CERTAIN HOW TO SATISFY RECIPROCITY REQUIREMENTS OF FREE-TRADE AREA WITH EXCLUSION OF REVERSE PREFERENCES. MOREOVER, CHEYSSON ARGUED THAT NEW EC RELATIONSHIP WITH ASSOCIATING COUNTRIES MUST BE PLACED ON A CONTRACTUAL BASIS WHICH, BY INCLUDING CONCESSIONS FROM ASSOCIATING STATES, EVEN IF ONLY TOKEN ONES, WOULD DEMONSTRATE ESSENTIAL EQUALITY OF BOTH PARTIES.

4. ON SUBJECT OF GENERAL SYSTEM OF PREFERENCES, CHEYSSON INSISTED THAT EC WAS READY TO IMPROVE GSP AS SOON AS

US SYSTEM ADOPTED. THIS, PLUS PROBABLE FUTURE REDUCTIONS IN EC TARIFFS ON ITEMS OF INTEREST TO DEVELOPING COUNTRIES, WOULD CONTINUE TO REDUCE MARGIN OF PREFERENCE ENJOYED BY ASSOCIATED LDC'S. NONETHELESS, ON PHILOSOPHICAL BASIS, AS EC CONTINUES TO BROADEN ADVANTAGES OFFERED TO ALL LDC'S, HE FORESEES THAT THOSE OFFERED BY EC TO AFRICAN AND OTHER ASSOCIATED STATES WOULD CONTINUE TO BE ONE OR TWO STEPS AHEAD, FOR EXAMPLE, THROUGH EXPORT INCOME GUARANTEE SCHEME. WITH RESPECT TRADE ASPECT THESE RELATIONS, HOWEVER, CHEYSSON EXPECTS EC WILL EVENTUALLY BRING THEM FULLY BACK INTO MULTILATERAL SYSTEM.

5. THROUGHOUT APPOINTMENTS CHEYSSON STRESSED THAT EC RELATIONS WITH ASSOCIATED COUNTRIES MUST HAVE PERMANENT CHARACTER. THEY MUST IN PARTICULAR PROVIDE AFRICAN AND OTHER ASSOCIATED AND ASSOCIABLE COUNTRIES EXPECTATION OF STABLE MARKETS TO INSURE STABILITY OF THEIR EXPORT EARNINGS. HE EXPLAINED COMMUNITY'S PROPOSED LDC EXPORT EARNINGS GUARANTEE SCHEME FOR COMMODITIES AS MAJOR AID TO ACHIEVING NEEDED PERMANENCY.

6. ON SOUTHERN MEDITERRANEAN COUNTRIES, CHEYSSON SAID EC IS WORKING TO ESTABLISH GENUINE FREE-TRADE AREAS WITH EACH COUNTRY. HE NOTED THESE COUNTRIES THEMSELVES HAVE INSISTED ON SYSTEM OF MUTUAL OBLIGATIONS.

7. US OFFICIALS EXPRESSED SATISFACTION THAT EC NOT SEEKING CONFIDENTIAL

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REVERSE PREFERENCES AND NOT COMMITTED TO MAINTAINING INDEFINITELY MARGIN OF TRADE PREFERENCES FOR AFRICANS AND FUTURE ASSOCIABLES. ACCEPTING CHEYSSON'S ARGUMENT THAT HISTORIC REASONS FAVOR EC SPECIAL RELATIONSHIP WITH AFRICA, US OFFICIALS NEVERTHELESS SUGGESTED THAT SUCH A SPECIAL RELATIONSHIP MIGHT BETTER BE IMPLEMENTED IN NON-TRADE FIELDS. US SPOKESMAN (MALMGREN) REVIEWED FIVE POINTS MADE BY CASEY IN BRUSSELS IN MARCH CASEY-SOAMES TALKS AND SUBSEQUENT EFFORTS BY MALMGREN AND RENNER, EMPHASIZING THAT WE STILL AWAIT EC RESPONSE. US OFFICIALS ALSO MENTIONED THAT RATHER THAN LOOKING FOR WAY TO ESTABLISH RECIPROCITY SO AS TO QUALIFY UNDER GATT ARTICLE XXIV, EC COULD ASK FOR GATT WAIVER FOR ASSOCIATION AGREEMENT. CHEYSSON COUNTERED WITH EXPLANATION OF WELL-KNOWN COMMISSION DISFAVOR TOWARD WAIVERS. CHEYSSON TOLD REPORTERS ON AUGUST 10 THAT HE LEFT WASHINGTON WITH CLEARER IDEA OF AMERICAN OBJECTIONS TO EC REGIONAL APPROACH BUT THAT HE STILL CONVINCED, UNDER CIRCUMSTANCES, THAT EC MUST PROCEED TO DEVELOP RELATIONS WITH LDC'S FROM THIS BASIS.

8. ON QUESTION OF EC POSSIBLY GIVING FINANCIAL AID OUTSIDE AFRICA, CHEYSSON RESPONDED WITH FIRM "NO" EXCEPT FOR SMALL "NON-PUBLICIZED" PROGRAM OF ASSISTING PALESTINIAN REFUGEES.

CHEYSSON PROBED FOR ANY CHANGE IN US POSITION ON SDR-AID LINK. WE REPLIED THAT WE RECOGNIZE LDC NEEDS, BUT CONTINUE HAVE GRAVE RESERVATIONS ON USE OF SUCH LINK TO TRANSFER RESOURCES TO LDC'S. WE STRESSED THAT, AID AND RELATED MECHANISMS ARE PREFERABLE AT THIS DELICATE TIME IN THE REFORM OF MONETARY SYSTEM WHEN THERE IS DANGER THAT SUCH LINK MIGHT OVERLOAD NEW ARRANGEMENTS.

9. IN CHEYSSON/MCNAMARA MEETING, IBRD EXPRESSED INTEREST IN PROPOSED EC SYSTEM FOR STABILIZING COMMODITY EXPORT EARNINGS. EC AND IBRD OFFICIALS PLAN TO MEET IN SEPTEMBER FOR EXCHANGE OF VIEWS. ROGERS

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PARIS  
BONN  
ROME  
THE HAGUE  
BRUSSELS  
LUXEMBOURG

COPENHAGEN  
LONDON  
DUBLIN  
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